



Patrick W. Henning, Director

July 29, 2008

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Arnold Schwarzenegger
Governor

Mr. Ruben Aceves, Workforce Development Manager
City of Anaheim Workforce Development Division
50 South Anaheim Boulevard, Suite 200
Anaheim, CA 92805

Dear Mr. Aceves:

WORKFORCE INVESTMENT ACT
FISCAL AND PROCUREMENT REVIEW
FINAL MONITORING REPORT
PROGRAM YEAR 2007-08

This is to inform you of the results of our review for Program Year (PY) 2007-08 of the City of Anaheim Workforce Development Division's (City of Anaheim) Workforce Investment Act (WIA) grant financial management and procurement systems. This review was conducted by Mr. David Hinojosa from May 5, 2008, through May 9, 2008. For the fiscal portion of the review, we focused on the following areas: fiscal policies and procedures, accounting system, reporting, program income, expenditures, internal control, allowable costs, cash management, cost allocation, indirect costs, fiscal monitoring of subrecipients, single audit and audit resolution policies and procedures for its subrecipients and written internal management procedures. For the procurement portion of the review, we examined procurement policies and procedures, methods of procurement, procurement competition and selection of service providers, cost and price analyses, and contract terms and agreements and property management.

Our review was conducted under the authority of Section 667.410(b)(1), (2) & (3) of Title 20 of the Code of Federal Regulations (20 CFR). The purpose of this review was to determine the level of compliance by the City of Anaheim with applicable federal and state laws, regulations, policies, and directives related to the WIA grant regarding financial management and procurement for PY 2007-08.

We collected the information for this report through interviews with representatives of the City of Anaheim, a review of applicable policies and procedures, and a review of documentation retained by the City of Anaheim for a sample of expenditures and procurements for PY 2007-08.

We received your response to our draft report on July 3, 2008, and reviewed your comments and documentation before finalizing this report. Because your response adequately addressed the finding cited in the draft report, no further action is required and we consider the issue resolved.

BACKGROUND

The City of Anaheim was awarded WIA funds to administer a comprehensive workforce investment system by way of streamlining services through the One-Stop delivery system. For PY 2007-08, the City of Anaheim was allocated: \$694,364 to serve 122 adult participants; \$680,241 to serve 100 youth participants; and \$556,399 to serve 77 dislocated worker participants.

For the quarter ending March 31, 2008, the City of Anaheim reported the following expenditures and enrollments for its WIA programs: \$390,835 to serve 125 adult participants; \$20,768 to serve 97 youth participants; and \$369,167 to serve 50 dislocated worker participants.

FISCAL REVIEW RESULTS

We concluded that, overall, the City of Anaheim is meeting applicable WIA requirements concerning financial management.

PROCUREMENT REVIEW RESULTS

While we concluded that, overall, the City of Anaheim is meeting applicable WIA requirements concerning procurement, we noted instances of noncompliance in the following areas: cost/price analysis and inventory. The findings that we identified in these areas, our recommendations, and the City of Anaheim's proposed resolution of the findings are specified below.

FINDING 1**Requirement:**

29 CFR 97.36(f) states, in part, that grantees and subgrantees must perform a cost or price analysis in connection with every procurement action including contract modifications. The method and degree of analysis is dependent on the facts surrounding the particular procurement situation, but as a starting point, grantees must make independent estimates before receiving bids or proposals. A cost analysis will be necessary when adequate price competition is lacking, and for sole source procurements, including contract modifications. A price analysis will be used in all other instances to determine the reasonableness of the proposed contract price.

29 CFR 97.36(d)(4)(ii) states, in part, that a cost analysis, i.e., verifying the proposed cost data, the projections of the data, and the evaluation of the specific elements of costs and profits, is required.

- Observation:** We found that the City of Anaheim did not conduct a cost/price analysis for a contract modification effective October 23, 2007. Specifically, the City of Anaheim modified a youth contract with the North Orange County Regional Occupational Program (NOCROP), extending the contract to June 30, 2009 with a maximum of \$522,750 in additional funding.
- Recommendation:** We recommended that the City of Anaheim provide a corrective action plan to the Compliance Review Division that describes how they will ensure that a cost/price analysis will be conducted for all future modified contracts.
- City of Anaheim Response:** The City of Anaheim stated that conducting a cost/price analysis is now part of the decision making process for approving all contract modifications. The City of Anaheim provided a copy of the cost analysis that was conducted for NOCROP signed May 27, 2008.
- State Conclusion:** We consider this finding resolved.

FINDING 2

Requirement: 29 CFR 97.20(b)(3) states, in part, that grantees and subgrantees must maintain effective control and accountability for all property and other assets.

Observation: We observed that although the City of Anaheim does have inventory records that assist in maintaining effective control and accountability for all property and other assets, they did not have a printer on their inventory list that was purchased with WIA funds. Specifically, we identified a Hewlett-Packard 1940 printer that was not tagged or included in the City of Anaheim's inventory records.

Subsequent to the onsite review, the City of Anaheim emailed an updated inventory record list that included the printer in question. Therefore, we consider this finding resolved.

Because the methodology for our monitoring review included sample testing, this report is not a comprehensive assessment of all the areas included in our review. It is the City of Anaheim's responsibility to ensure that its systems, programs, and related activities comply with the WIA grant program, Federal and State regulations, and applicable State directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, would remain the City of Anaheim's responsibility.

Mr. Ruben Aceves

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July 29, 2008

Please extend our appreciation to your staff for their cooperation and assistance during our review. If you have any questions regarding this report or the review that was conducted, please contact Mr. Jim Tremblay at (916) 654-7825 or Mr. David Hinojosa at (916) 653-4322.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jessie Mar".

JESSIE MAR, Chief
Compliance Monitoring Section
Compliance Review Division

cc: Shelly Green, MIC 45
Jose Luis Marquez, MIC 50
Norma McKay, MIC 50
Gilbert von Studnitz, MIC 50